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ABSTRACT

While the elite private colleges may survive the enrollment declines of the 1980's and 1990's, the less elite, so-called invisible private colleges may have more difficulty. Finance, enrollment, and competition are the three major elements seen to threaten these institutions' futures. They face an uncertain financial future since historically they receive less federal and state funds than their chief competitors, the comprehensive colleges and universities. The small colleges may have to change their characters and constituencies in order to compete for funds. Some options are discussed, including lowering faculty salaries or using unrestricted endowments for operating costs. Enrollment decline may also be especially great in these traditionally nonvocational colleges. In the area of competition, the major difference between the small colleges and their rivals the two- and four-year public colleges is that the former can offer greater diversity. It is noted that the new roles and loss of diversity accepted by small colleges in reaction to enrollment declines may have spawned unfortunate compromises. (MSE)

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THE FUTURE OF PRIVATE COLLEGES

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The Institutions and Activities of Higher Education

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I. INTRODUCTION

According to More Than Survival, in 1950, 66 percent of all institutions of higher education were private. By 1972, that figure had dropped to 56 percent and continues to decline. Howe (1979) suggests that if that rate of decline continues until 1995, we would in effect face the extinction of the independent sector of American higher education.

Private higher education institutions can be categorized into two basic groups - the elite or highly selective liberal arts colleges and the less highly selective liberal arts colleges, which Astin and Lee (1972) appropriately called the "invisible colleges" and I will call the "private colleges" in this paper. This description was used because the colleges in this group are relatively unknown and therefore invisible to the majority of the American population. These colleges are still unknown today for the same reason, and for an additional more significant one - the possibility that they will vanish from the higher education sector unless a successful survival strategy can be implemented.

In contrast, if private elite colleges continue their selective admissions' policy, their strong liberal arts curriculum, and their agressive development program, they should have no difficulty surviving in the next 20 years.

In view of this, this third paper will focus on the private colleges, and more specifically, how they are affected by those factors of finance, enrollment, and competition. This section will be followed by my assessment of the future role that private colleges will play in American higher education.

II. ASSESSMENT OF THE MAJOR FACTORS AFFECTING HIGHER EDUCATION ON THE PRIVATE COLLEGES

1. General

I have reduced the factors affecting higher education to three major ones - namely, finance, enrollment, and competition. The impact of these factors on higher education, in general, was described in section II of the first paper. The more specific impact of these factors on private colleges is discussed in this section.

2. Financial Resources

The private colleges are properly designated by Astin and Lee (1972) as the "have-not" institutions. These institutions receive less federal and state funds than their chief competitors - the comprehensive colleges and universities. They also receive substantially less money from tuition, foundation grants, and private gifts in comparison to the elite private colleges.

Because of this situation, the private colleges face a very uncertain future. They must rely heavily on tuition revenues for income - the very factor which makes them extremely vulnerable to enrollment losses. The students who attend the private colleges are very similar, particularly in their rather low socioeconomic background, to the students who attend public colleges. (Astin and Lee, 1972)

This increased dependency on tuition revenue by the private colleges and the available pool of prospective students, have created a real marketing dilemma. If on the one hand, the private colleges decide to compete with the elite colleges, they would have to upgrade themselves by recuiting a more select student body from a wide geographical range, and by attracting a more highly trained, research-oriented faculty. This decision would result in increased operating costs, and would mean certain failure for many of the private colleges, since they could not increase their endowments or tuition to the level necessary to offset this resulting higher expenditure level.

On the other hand, if the private colleges decide to compete with the comprehensive colleges and universities by developing a more diversified curriculum and recruiting more students in the low socioeconomic bracket, then they would have to disaffiliate themselves from their founding role and identity, lower tuition, and compete for increased federal and state funding.

This approach would also mean certain failure because many of their present alumni supporters will lose their identity with the institutions and stop or reduce their donations to the private colleges. The federal and state funding, even if increased, will not be sufficient to allow the private colleges to reduce their tuition to a level equal to that of the public colleges. This difference in tuition will drive the lower-income students, who might otherwise at-

tend the private colleges, to the virtually free public higher education institution. It is obvious that these conditions will lead to increased enrollment losses and further reduce tuition revenue.

In view of the above, it appears that the private colleges have only a few options, that could protect their solvency, available to them. They can offer lower faculty salaries; they can use unrestricted endowment to meet operating costs; they can increase the ratio of students to faculty; or they can try to attract more students.

The major problems with these options are (a) that they are not likely to work and (b) that even if they do, they are likely to be self-defeating in that they may very well erode the special contributions and essential virtues of the private colleges. (Astin and Lee, 1972)

The reality of the crisis facing the private colleges is that financial cutbacks and decreasing numbers of students will mean difficult retrenchment. Howe (1979) indicated that 129 private colleges closed during the 1970's. Other institutions have merged, and some have significantly limited the scope of their programs in order to balance their books. The skyrocketing cost of living, rampant inflation, faculty's increasing salaries, costs of other labor essential to the operation of the institution, and a depressed economy have combined to make institutions' effort to stay out of the red a highly critical

matter. Tuition charges have been increased dramatically, and the gap between tuition at most private colleges and public colleges has increased significantly. (Sandeen, 1976)

Many of the private colleges are being kept open today because of public support. Student aid from state and federal governments is of considerable assistance to private undergraduate education. (Howe, 1979)

The continuation of significant public support will be determined by their political effectiveness in influencing federal and state policies and appropriations.

Washington state has a constitutional provision that prohibit the granting of state funds to an individual or private institution. Therefore, before private institutions in Washington state can benefit from state funds, this state constitutional prohibition must be abolished.

The federal picture does not look any rosier. Roark (1980) reported that a long struggle between public and private colleges over federal assistance to students has intensified with the National Association of Independent Colleges and Universities threatening to withdraw its support for a compromise on restructuring student aid programs for the 1980's. The compromise worked out in 1979 by Washington lobbyists would provide increases in the maximum amount of

federal grants a student may receive.

The private colleges are advocating that 75 percent of each student's expenses be met by government grants. And further, that for financially needy students, the remaining 25 percent be made up of federal "self-help" loan and work-study programs.

The public colleges are supportive of the "half-cost" federal grant program. This program would only cover 50 percent of the student's educational costs.

The Congress is concerned about the high cost ($45-60 billion) of funding the private colleges' version of the legislation. The public colleges are willing to settle for the lower funding level, since they feel that poor students would be able to attend low-cost institutions, with that level of assistance. The private colleges feel that the parents of poor students would not be able to provide the additional 25 percent of costs that the poor students would need, and therefore, such students would be denied that opportunity for admission. Thus, the reason for the disagreement.

This situation only illustrates that the prospect of salvation from the federal government is limited; the principal federal policy options are too costly, either financially or politically. Several states, Washington not among them, have made serious efforts to aid their private colleges, but wholesale bailouts are unlikely. The

factors that will ultimately make the difference in the survival of private colleges will be location, a clear sense of identity and mission, loyal alumni, good trustees, and the quality of institutional management. (Breneman, 1979)

2. Enrollment

In 1950, half of all students enrolled in higher education were in private institutions. By 1974, only 22 percent of all students were in private institutions; but absolute numbers rose 78,500. The private share of total enrollment will almost certainly continue to decline.

In recent years, the rate of decline has been reduced by the efforts of some states to preserve their private institutions. (More Than Survival)

The private colleges face a special problem in the next decade. They have historically been residential colleges focusing upon educating the recent high school graduate. Their students attend full-time and do not seek specific vocational skills. However, the decline in the birth rate has resulted in a significant shrinking of the college-age population.

The private colleges' enrollment picture is best described by looking at the characteristics of its student body. Some of these characteristics are:

1. The majority of the students live within 50 miles of the college attended, even though the majority of the colleges are primarily residential.
2. 20 percent of the enrolling students come from families with poverty-level incomes.
3 26.3 percent of the students receive scholarship aid.
4. 88 percent of the enrolling students had a high school grade average of B or less.

These characteristics are remarkably similar to entering freshmen at community colleges and comprehensive colleges and universities, which substantiates the contention that these two types of colleges compete with one another for students.

This situation leads to the implication that further shrinkage of the available pool of students will seriously hurt the private colleges.

3. The Impact of Competition on Private Colleges

Remembering my definition of private colleges to be less selective private colleges, the two types of institutions that could compete with them are the elite colleges and the public two and four-year colleges.

Astin and Lee (1972) eliminate the elite colleges as a competitor to the private colleges by suggesting that the elite colleges are

in many ways their polar opposites. The students at the elite colleges have substantially different demographic characteristics, family backgrounds, high school achievements, and career choices. The elite colleges' tuition is comparably higher and they are better able to make financial aid of various kinds available to their students. The elite colleges spend substantially more money for educational, and faculty and staff salaries in an effort to improve and maintain their national reputation for academic excellence. The elite colleges have a per-student endowments of at least 4.5 time greater than the private colleges. Finally, most of the elite colleges have national reputation, and, as such, are able to recruit nation-wide for their students, whereas, the private colleges must rely on the local communities for their students.

The public colleges present a completely direct picture. The public and private colleges both compete for the same students, for their share of state and financial support, and for the same quality of education offered. The one major difference is that the private colleges have a much higher tuition than the public colleges.

The only distinguishing marketable characteristic that the private colleges have in relation to the public colleges is their diversity - their ability to meet the unique needs of a diverse pool of students. One of the private colleges' fundamental assumptions has been that there are important individual differences among students in their talents, aspirations, interests, and educational needs. Because of

this, it is felt that some students will develop better in small colleges than in large ones, in church-related colleges than in non-sectarian ones; in unselective rather than selective ones, in predominantly black colleges than predominantly white ones.

The private colleges have successfully performed this diversity role and mission over the years; however, the current decline in enrollments and the resulting increase in tuition have forced many of them to seek new roles and missions in an effort to survive.

These new roles have forced the private colleges to make certain adaptations. For instance, by 1972, twelve percent of the private colleges had undergone changes that reflected a shift from a sectarian to a nonsectarian emphasis. Other colleges had made changes to reflect their desire to expand the curriculum from a specific area of study to a more comprehensive program. And, still other colleges had changed by expanding from a two-year to a four-year program, merged with another college, or become coeducational.

These "new" colleges bear little resemblance to the colleges their founders had in mind. They also have little chance of becoming better known because their images in the academic community keep shifting. This constant state of flux and the turmoil that the private colleges are facing is not simply a matter of minor revisions in curriculum or internal governance but of fundamental change that re-

lates very closely to their reasons for being.

These changes have caused the private colleges to drift in two major directions. One direction leads to the emulation of the elite college model. The private colleges are attempting to "upgrade" themselves by recruiting a more select student body from a wider geographical range and by attracting a more highly trained faculty. The inability to increase tuition and fees to insure adequate income or develop an endowment fund adequate enough to subsidize the operations of the college, appears to be doomed to failure.

The other direction leads to competing with the public institution for student and state and federal funds. The private colleges are in a dismal position in this situation also. They receive far less money from state and federal sources than do public colleges. In addition, their lack of visibility and funds present major difficulties in recruiting students and faculty. Also, the difference in tuition amounts between the private and public colleges provides the public colleges with the advantage of being able to attract more lower-income students who might otherwise attend the private colleges.

Thus, it appears that the private colleges cannot compete favorably with their competition and that their survival as a viable sector within higher education is doubtful.

In fact, it is suggested from time to time that most of these private

colleges should be allowed to decline and eventually to die out. (Astin and Lee, 1972)

Usually, the arguments behind these suggestions are that the private colleges are of poor quality, that they no longer serve a real mission, and that they do not attract enough students to warrant their continued existence, that they duplicate the resources and functions of other higher education institutions, and that they are too inefficient and too wasteful to justify any attempt to keep afloat.

III. THE FUTURE OF PRIVATE COLLEGES

Even though the private colleges are struggling for survival, it seems clear to me that, they play a unique role. They have the responsibility to help maintain the diversity of our higher education system, a system in which,each type of institution, plays a distinctive role in the division of labor. All sectors of higher education share in varying degrees the collective functions of teaching, research, and public service; but each sector must have its own priorities if the social and economic problems of our time are to be coped with effectively.

Private colleges have those special assets and virtues that contribute to higher education as a whole. They are small, and thus, provide a warmer and more cohesive atmosphere than do large institutions; they give the student greater opportunities to participate in a number of activities; and, most significant, they have traditionally designed their programs to suit a student clientele that is, in many respects, similar to the less able and less well-prepared students who are currently imposing a heavy burden in the public institutions.

Acknowledging that the private colleges can and do perform a vital function, it becomes prudent to "save" them and at the same time preserve their distinctive characteristics.

The most obvious ingredient in a "get healthy" plan is increased

funding. Since these colleges lack the right combination of endowment funds, wealthy alumni, and upper middle-class students, it appears that their only remaining hope is public funds. The question of state aid to higher education is, especially, in the State of Washington, a difficult one, involving constitutional limitations, the constitutional guarantees of religious freedom and the separation of church and state.

Undoubtedly, the public sectors, particularly the comprehensive colleges and universities, will resist having funds diverted to private institution. As indicated earlier, the private colleges' success will be determined not only by the success of their own efforts to attract students and private funds, but also by their political effectiveness in influencing federal and state policies and appropriations.

This task will not be an easy one because most states have, until recently, either ignored private higher education or competed with it by investing heavily in public colleges and universities.

Nonetheless, according to Astin and Lee (1972), virtually all 50 states have established some sort of statewide coordinating board - ranging all the way from voluntary associations among institutions to stateside governing boards with substantial powers - a new look is being taken at the possibility of bringing private higher education into the picture.

The catalyst for this renewed interest in private higher education is the push of several federal programs that require public-private cooperation. Indeed, many statewide coordinating agencies include representatives of private institutions among their members, and it is coming to be recognized more and more that utilization of the resources of private institutions is, in the long run, a matter of best serving the public interest. Consequently, many states have attempted to find feasible means of providing various kinds of support to private institutions. Some examples provided by Astin and Lee (1972) are:

> "In Iowa, a formula is used to make up the difference between public and private institutions for in-state students. In effect, this method lays to rest the ghost of 'unfair price competition'. Other states provide scholarships that give the recipient free choice as to what type of institutions (public and private) that offer programs (for instance, in nursing) where the demand for manpower is high and where the supply of trained persons is low."

Moreover, these pressures will be augmented by certain outside forces - for example, regional accrediting associations - which may have difficulty adjusting to any criteria of institutional excellence or effectiveness other than the conventional ones.

Such efforts must be discouraged. In the first place, American higher education is already well supplied with elite models; indeed, there is probably already too little diversity in programs and standards of excellence. In the second place, even with massive infusions of new money, any attempt on the part of the pri-

vate colleges to achieve the affluence and prestige necessary to move into the elite class is bound to fail. The gap between them - in student ability levels, faculty training, and financial resources - are too great to be bridged. Therefore, the state funds should be specifically designated for use in the improvement of the teaching, learning process rather than simply to copy the elitist model by adding more Ph.D.'s to the faculty, raising admissions standards, expanding the library and so forth. They might also be given based on the institution's uniqueness. For example, preference might be given to those institutions whose entering students' high school grades and ability test scores fall below a certain level. In this way, state funds would go to private colleges that service the greatest state needs, giving them an incentive to broaden and strengthen educational programs geared to students in the lower ability ranges and deterring them from raising admission standards.

The federal government also has a vital role to play in providing financial support to private colleges. This role is best described in the following excerpt from More Than Survival:

1. Full funding of the Basic Educational Opportunity Grants program and of the Cost-of-Education Supplements program should be achieved by 1980. Funds saved from expenditures on veterans programs should be allocated to other student aid programs as the Vietnam War veterans move into older age brackets and enrollment of veterans declines.

2. The BEOG program should gradually be restructured so that the maximum grant equals 100 percent of a student's non-instructional costs. Student aid

designed to help students meet instructional costs should be shifted to other programs.

3. Funds appropriated for the Supplementary Educational Opportunity Grants program should be reduced somewhat and the amounts should be reallocated to the State Student Incentive Grants program. Appropriations for the SSIG program should be increased so that, by 1979-80, federal-state funds are adequate to provide full tuition grants to students from families in the lowest income quartile and one-half of tuition, on the average, to students from families in the next-to-lowest income quartile.

4. A new program of federal matching funds for a federal-state Tuition Equalization Grants program should be adopted. The grants should be provided for all students, regardless of family income, attending private colleges and universities, and should, on the average, equal one-half of the educational subvention at public four-year colleges and universities.

5. Existing student loan programs should be phased out and replaced by a National Student Loan Bank.

Obviously, the estimated cost of these increased public expenditures for student aid and educational subsidies will be substantial. However, it is noteworthy, assuming that real gross national product (GNP) will grow at 3.5 percent per year and enrollment only 1 percent a year, that this expenditure would decline as a percentage of GNP.

This approach to the use of public funds affords two major advantages:

1. The achievement of universal access can be realized for all young persons who wish to attend college or a university.

2. The financial health of private colleges will be greatly improved.

IV. SUMMARY

The private colleges are in a dismal position because of declining enrollment and diminishing financial resources.

Ironically, the sector of higher education that has the distinction of providing for such diverse characteristics of its students as ethnic background, home influence, primary and secondary school quality, health, motivation, finances and race, finds itself struggling for existence in a culture that stoutly proclaims a belief in educational pluralism.

It appears that the higher education community recognizes the value of the private colleges and suggests that it would be quite socially wasteful to permit their experience and going-concern value to disappear. Consequently, higher education, both public and private, has joined forces to lobby for federal and state funds to subsidize the private colleges. The effectiveness of their effort will determine the future of the less selective private colleges in American higher education.

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